

Message Text

SECRET

PAGE 01 USNATO 01667 01 OF 04 180240Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 USIA-06 TRSE-00 EB-08
NSC-05 /080 W
-----084747 180257Z /73

R 171532Z FEB 78
FM USMISSION USNATO
TO SECSTATE WASHDC 9390
SECDEF WASHDC
INFO ALL NATO CAPITALS
CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

S E C R E T SECTION 01 OF 04 USNATO 01667

E.O. 11652: GDS
TAGS: NATO, MPOL
SUBJECT: NATO MAJOR EQUIPMENT EXPENDITURES

SUMMARY: THIS MESSAGE PROVIDES OUR COMPUTATION AND ASSESS-
MENT OF ALLIANCE MAJOR EQUIPMENT EXPENDITURES. FOR YEARS
THE US HAS LEAD NATO IN PER CAPITA (MILITARY AND MOD
CIVILIAN) MAJOR EQUIPMENT EXPENDITURE; HOWEVER, IN 1976 AND
1977 THE UK MOVED AHEAD OF THE US. OVER THE LONG HAUL,
FRG HAS SPENT MORE PER CAPITA ON MAJOR EQUIPMENT THAN THE
ALLIES, OTHER THAN THE US AND UK, BUT IN THE LAST SEVERAL
YEARS FRG HAS DROPPED TO ONE OF THE LOWEST OF THE NON-
SOUTHERN FLANK COUNTRIES. THE F-16 PROCUREMENT IS HAVING
A SIGNIFICANT EFFECT ON THE PROCUREMENT PATTERN OF THE
CONSORTIUM COUNTRIES. THE LOW PER CAPITA EXPENDITURE ON
EQUIPMENT FOR THE SOUTHERN FLANK COUNTRIES AND BELGIUM
WILL CONTINUE TO HINDER MODERNIZATION PLANS. END SUMMARY.

-

1. DATA LIMITATIONS. WE HESITATE TO DRAW FIRM CONCLUSIONS
SECRET

SECRET

PAGE 02 USNATO 01667 01 OF 04 180240Z

BECAUSE OF THE FOLLOWING LIMITATIONS TO OUR DATA BASE:

. A. DATA COVER TOO FEW YEARS (72/73 TO 78/79), WHILE
EQUIPPING A MILITARY FORCE IS THE RESULT OF EXPENDITURES
OVER A LONG PERIOD OF TIME.

. B. EXPENDITURES FOR MODERNIZATION OF AN INDIVIDUAL

MILITARY SERVICE MAY FLUCTUATE WIDELY, PARTICULARLY FOR SMALL COUNTRIES THAT CAN AFFORD ONLY ONE MAJOR PROGRAM AT A TIME; WHILE OVERALL MOD TOTALS TEND TO REMAIN FAIRLY CONSTANT, INDIVIDUAL SERVICE FLUCTUATIONS OVER THE SHORT SPAN OF OUR DATA COVERAGE POTENTIALLY SKEW THE RESULTS.

. C. SEVERAL KEY COUNTRIES (FRG AND CANADA) DO NOT PROVIDE DATA BY SERVICES, AND WE FOUND THE DIFFERENCES IN SERVICES HAVE A PROFOUND EFFECT ON THE RESULTS.

. D. LACK OF INDICES WHICH RELATE SOLELY TO EQUIPMENT PROCUREMENT AND FLUCTUATION IN CURRENCY EXCHANGE RATES PRECLUDE A MEANINGFUL ADJUSTMENT OF FISCAL DATA TO A CONSTANT COMPARABLE BASIS.

. E. AVAILABLE DATA DO NOT ACCOUNT FOR COSTS OF EQUIPPING RESERVE FORCES THAT ARE NOT INCLUDED IN MOD MANPOWER FIGURES.

. F. STRATEGIC OFFENSIVE AND DEEP WATER NAVAL FORCES ARE MORE EXPENSIVE TO EQUIP ON A PER CAPITA BASIS THAN TACTICAL FORCES AND TEND TO SKEW THE DATA.

. G. THERE ARE INCONSISTENCIES IN CATEGORIZING EQUIPMENT EXPENDITURES. FOR EXAMPLE, THE US INCLUDES AMMUNITION EXPENDITURE IN MAJOR EQUIPMENT, CAUSING US FIGURES TO BE
SECRET

SECRET

PAGE 03 USNATO 01667 01 OF 04 180240Z

SOMEWHAT HIGHER THAN THOSE OF OTHER COUNTRIES.

2. PROCEDURES AND ASSUMPTIONS.

. A. FOR OUR ANALYSIS WE HAVE KEPT ALL DATA IN CURRENT PRICES AND USED 1974 EXCHANGE RATES FOR CONVERSION TO US DOLLARS.

. B. THE FIGURES FOR 1977 AND 1978 ARE ESTIMATES ONLY AND CAN BE EXPECTED TO CHANGE RADICALLY. USING 1976 FIGURES AS AN EXAMPLE, OUR EUROPEAN ALLIES SPENT AN AVERAGE OF \$172 PER CAPITA MORE ON MAJOR EQUIPMENT THAN THEY HAD ESTIMATED, WHILE THE US SPENT \$1,239 LESS PER CAPITA THAN WE HAD ESTIMATED.

. C. WE ASSUME THAT, GIVEN A RELATIVELY EQUAL MANAGERIAL CAPABILITY, COST OF EQUIPPING LIKE FORCES OF DIFFERENT COUNTRIES WOULD BE ROUGHLY EQUIVALENT, EVEN THOUGH THE PER CAPITA COST OF MANPOWER MAY VARY WIDELY BECAUSE OF ECONOMIC DEVELOPMENT OF THE COUNTRY AND SOURCE OF MANPOWER (VOLUNTEER OR CONSCRIPT).

3. ANALYSIS.

. A. FOR YEARS UP UNTIL 1975 THE US HAS SPENT FAR MORE FOR EQUIPMENT PER CAPITA THAN ANY OF ITS NATO ALLIES. THIS IS TRACEABLE PRINCIPALLY TO THE HIGHER COST OF STRATEGIC AND NAVAL FORCES. IN 1976 AND AGAIN IN 1977, HOWEVER, THE UK SPENT MORE ON MAJOR EQUIPMENT THAN THE US. IN 1978 THE US IS AGAIN EXPECTED TO SPEND MORE THAN THE OTHER ALLIES. OVER THE LONG HAUL, FRG HAS BEEN SPENDING MORE PER CAPITA ON MAJOR EQUIPMENT THAN ANY NATO ALLY OTHER THAN THE US AND THE UK. HOWEVER, BY 1977 INCREASED EXPENDITURES BY ALL HAD

SECRET

NNN

SECRET

PAGE 01 USNATO 01667 02 OF 04 180242Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 USIA-06 TRSE-00 EB-08
NSC-05 /080 W

-----084892 180257Z /73

R 171532Z FEB 78
FM USMISSION USNATO
TO SECSTATE WASHDC 9391
SECDEF WASHDC
INFO ALL NATO CAPITALS
CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

S E C R E T SECTION 02 OF 04 USNATO 01667

RESULTED IN ALL THE CENTRAL REGION AND NORTHERN FLANK COUNTRIES EXCEPT BELGIUM AND LUXEMBOURG SPENDING MORE PER CAPITA THAN GERMANY. THIS UNDOUBTEDLY RESULTS FROM PROLONGED EQUIPMENT DEFERRMENTS AND THE NECESSITY TO CATCH UP. DENMARK DRASTICALLY CUT ITS MILITARY STRENGTH IN 1972 TO 1974 (ABOUT 7 PERCENT) IN ORDER TO OBTAIN NECESSARY FUNDS FOR MODERNIZATION.

. B. THE IMPACT OF THE F-16 PROCUREMENT IS BECOMING APPARENT IN MAJOR EQUIPMENT EXPENDITURE PATTERNS FOR THE CONSORTIUM COUNTRIES. SINCE 1976 ARMY EXPENDITURES HAVE BEEN REVISED DOWNWARDS OR HAVE FAILED TO KEEP PACE WITH INCREASES FOR THE AIR FORCES. AIR FORCE EXPENDITURES, ON THE OTHER HAND, HAVE GENERALLY BEEN REVISED UPWARDS.

. C. OF THE CENTRAL REGION EUROPEAN ALLIES (THE LOWEST SPENDER, LUXEMBOURG, EXCEPTED), BELGIUM SPENDS THE LEAST PER CAPITA ON MAJOR EQUIPMENT. THE VERY HIGH EXPENDITURE FOR THE NAVY (\$10,164 PER CAPITA IN 1975, \$9,840 IN 1976

SECRET

SECRET

PAGE 02 USNATO 01667 02 OF 04 180242Z

AND \$8,475 IN 1977) IS FAR HIGHER THAN THAT OF ANY OTHER ALLY (US IS SECOND FOR 1975 AND 1976 AND UK SECOND IN 1977), BUT IS DECLINING AS THE CONSTRUCTION OF THE FOUR NEW FRIGATES IS COMPLETED AND OTHER NEW CONSTRUCTION IS STRETCHED OUT. EXPENDITURES FOR ARMY EQUIPMENT (\$935 PER CAPITA IN 1976 AND \$1,253 PER CAPITA IN 1977) ARE THE LOWEST OF ANY NON-SOUTHERN FLANK COUNTRY EXCEPT LUXEMBOURG. THIS PAUCITY OF FUNDING IS PARTIALLY REFLECTED IN BELGIUM'S INABILITY TO MODERNIZE ITS HAWK UNITS. INCIDENTALLY, THE US RANKS NEXT LOWEST BEHIND BELGIUM IN 1976 (\$1,026) AND ONLY MOVES AHEAD OF ONE ADDITIONAL COUNTRY (NORWAY) IN 1977.

. D. FOR YEARS, ITALY HAS SPENT ONLY ABOUT HALF AS MUCH ON EQUIPMENT PER CAPITA (\$1,402 IN 1976 AND \$1,592 IN 1977) AS THE AVERAGE FOR CENTRAL REGION COUNTRIES (\$3,411 IN 1976 AND \$3,775 IN 1977). THE STATE OF ITALIAN EQUIPMENT OBSOLESCENCE REFLECTS THE LOW LEVEL OF EXPENDITURE. EVEN WITH RECENT REDUCTION IN MILITARY PERSONNEL AND ALLOWING FOR INCREASED PROCUREMENT UNDER THE PROMOTIONAL LAWS, ITALIAN EXPENDITURES PER CAPITA WILL STILL BE BELOW THE OTHER MAJOR EUROPEAN COUNTRIES. THOUGH SOME IMPROVEMENT CAN BE EXPECTED, OBSOLESCENCE WILL PROBABLY CONTINUE.

. E. TURKISH EXPENDITURES FOR MAJOR EQUIPMENT HAVE BEEN FAR BELOW THE EXPENDITURES OF THE MORE DEVELOPED COUNTRIES OF THE ALLIANCE. FROM 1974 TO 1976, HOWEVER, EXPENDITURES HAVE INCREASED 20-FOLD AND APPROACHED THE LEVEL OF ITALY. PER CAPITA EXPENDITURES STARTED TO FALL IN 1976, AND IN THE CURRENT ECONOMIC SITUATION THE DROP MAY BE MUCH FASTER THAN OUR FIGURES INDICATE. TO BRING THE TURKISH MILITARY UP TO THE SAME LEVEL AS THE OTHER NATO COUNTRIES WITHOUT REDUCING ITS SIZE WOULD REQUIRE MORE THAN DOUBLING THE 1976

SECRET

SECRET

PAGE 03 USNATO 01667 02 OF 04 180242Z

RATE OF EXPENDITURE ON EQUIPMENT. OBVIOUSLY, TURKEY COULD NOT SUPPORT THAT BURDEN ALONE AND MUST EITHER RELY ON EXTERNAL AID, ACCEPT AN INCREASING LEVEL OF OBSOLESCENCE, OR CONSIDER A REDUCTION IN ARMED FORCES STRENGTH.

. F. IN SPITE OF PAST REDUCTIONS IN DEFENSE EXPENDITURES, THE UK SPENT MORE PER CAPITA ON MAJOR EQUIPMENT IN 1976 AND 1977 THAN ANY OTHER COUNTRY IN THE ALLIANCE. UK EXPENDITURES PER CAPITA FOR THE AIR FORCE (\$9,245 IN 1976 AND \$11,270 IN 1977) ARE PARTICULARLY HIGH, EVEN WHEN COMPARED TO THE US (\$5,661 IN 1976 AND \$6,350 IN 1977). PART OF THIS APPARENTLY HIGH EXPENDITURE RATE MAY BE DUE TO ABNORMALITIES IN DATA DUE TO HIGH RATES OF INFLATION AND FLUCTUATION IN EXCHANGE RATES, BUT IT IS PROBABLY ALSO A RESULT OF A CONSCIOUS EFFORT ON THE PART OF THE UK TO OFFSET THE EFFECTS OF PERSONNEL REDUCTIONS BY BUILDING AN EQUIPMENT-INTENSIVE FORCE. THIS MAY ALSO BE THE RESULT OF INEFFICIENT PRODUCTION (SHORT PRODUCTION RUNS) ON NON-NATO-STANDARD DOMESTICALLY-PRODUCED EQUIPMENT FOR THE UK FORCES.

-

4. THERE FOLLOWS A TABULATION OF MOD PER CAPITA MAJOR EQUIPMENT EXPENDITURE IN CURRENT PRICES CONVERTED TO US DOLLARS, USING 1974 EXCHANGE RATES:

SECRET

NNN

SECRET

PAGE 01 USNATO 01667 03 OF 04 180242Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 USIA-06 TRSE-00 EB-08
NSC-05 /080 W

-----084924 180258Z /73

R 171532Z FEB 78
FM USMISSION USNATO
TO SECSTATE WASHDC 9392
SECDEF WASHDC
INFO ALL NATO CAPITALS
CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

S E C R E T SECTION 03 OF 04 USNATO 01667

MAJOR EQUIPMENT EXPENDITURES
PER CAPITA DEFENSE PERSONNEL (MILITARY AND CIVILIAN)

(CURRENT PRICES/1974 EXCHANGE RATES)
. 1972 1973 1974 1975 1976 1977 1978

. OR OR OR OR OR OR OR
 . 72/73 73/74 74/75 75/76 76/77 77/78 78/79

BE 1109 898 1086 1417 1685 1866 2649

DA 1601 1709 2793 3326 4120 3914 3976

GW 2103 2259 2330 2369 2717 2856 3191

IT 905 888 1104 1218 1402 1592 1855

LU 158 159 331 159 671 588 528

NL 1376 1482 1931 2815 3064 4144 4515
 SECRET

SECRET

PAGE 02 USNATO 01667 03 OF 04 180242Z

NO 1464 1524 1671 2091 2196 3406 5309

PO 177 106 104 132 156 208 251

TU 58 76 58 948 1168 968 771

UK 1869 2204 2489 3516 4566 5091 4897

. CENTER

. REGION 1862 2069 2271 2813 3411 3775 3929

. TOTAL

. EUROPE 1185 1276 1418 2010 2404 2540 2640

CA 1148 1495 1401 1827 2570 3290 4399

US 3971 3823 4084 4351 4329 5054 6431

. NORTH

. AMERICA 3873 3739 3986 4261 4266 4990 6357

. TOTAL 2591 2533 2739 3203 3382 3802 4542

-

MAJOR EQUIPMENT EXPENDITURES

PER CAPITA FOR DEFENSE PERSONNEL (MILITARY AND CIVILIAN)

(CURRENT PRICES/1974 EXCHANGE RATES)

ARMY

. 1975 OR 1976 OR 1977 OR 1978 OR

. 1975/76 1976/77 1977/78 1978/79

SECRET

SECRET

PAGE 03 USNATO 01667 03 OF 04 180242Z

BE	1185	935	1253	2002
DA	1334	3031	2685	2192
GW	N/D	N/D	N/D	N/D
IT	620	717	805	969
LU	159	671	588	528
NL	2088	2232	2884	2961
NO	1959	1695	1894	1910
PO	12	23	135	145
TU	N/D	N/D	N/D	N/D
UK	2036	2371	2354	1999
CA	N/D	N/D	N/D	N/D
US	1506	1026	1932	3134
-				

MAJOR EQUIPMENT EXPENDITURES

PER CAPITA FOR DEFENSE PERSONNEL (MILITARY AND CIVILIAN)

(CURRENT PRICES/1974 EXCHANGE RATES)

NAVY

. 1975 OR 1976 OR 1977 OR 1978 OR

SECRET

NNN

SECRET

PAGE 01 USNATO 01667 04 OF 04 180243Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12

NSAE-00 PA-01 SS-15 SP-02 USIA-06 TRSE-00 EB-08

NSC-05 /080 W

-----085077 180257Z /73

R 171532Z FEB 78
 FM USMISSION USNATO
 TO SECSTATE WASHDC 9393
 SECDEF WASHDC
 INFO ALL NATO CAPITALS
 CINCLANT NORFOLK VA
 USLOSACLANT NORFOLK VA
 USNMR SHAPE BE
 USCINCEUR VAIHINGEN GER

S E C R E T SECTION 04 OF 04 USNATO 01667

. 1975/76 1976/77 1977/78 1978/79

BE 10,164 9,840 8,475 6,913

DA 11,020 9,085 6,090 6,532

GW N/D N/D N/D N/D

IT 1,542 3,053 3,477 4,130

NL 5,560 5,605 7,173 8,497

NO 2,900 3,403 5,333 5,628

PO 836 686 591 820

TU N/D N/D N/D N/D

UK 4,910 7,043 7,775 7,861

SECRET

SECRET

PAGE 02 USNATO 01667 04 OF 04 180243Z

CA N/D N/D N/D N/D

US 6,998 7,065 7,728 8,689

-

MAJOR EQUIPMENT EXPENDITURES

PER CAPITA FOR DEFENSE PERSONNEL (MILITARY AND CIVILIAN)

(CURRENT PRICES/1974 EXCHANGE RATES)

AIR FORCE

. 1975 OR 1976 OR 1977 OR 1978 OR

. 1976/76 1976/77 1977/78 1978/79

BE 1829 2338 4017 6648

DA	693	4151	6298	7782
GW	N/D	N/D	N/D	N/D
IT	3775	3442	4015	4620
NL	3572	4759	7583	8108
NO	1936	2739	4746	9894
PO	-0-	-0-	-0-	-0-
TU	N/D	N/D	N/D	N/D
UK	7550	9245	11270	10901

SECRET

SECRET

PAGE 03 USNATO 01667 04 OF 04 180243Z

CA	N/D	N/D	N/D	N/D
----	-----	-----	-----	-----

US	4953	5661	6350	8411
----	------	------	------	------

GLITMAN

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPENDITURES, EQUIPMENT, ALLIANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 17 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978USNATO01667
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780075-0117
Format: TEL
From: USNATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780238/aaaabgir.tel
Line Count: 466
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e0f407d4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3551367
Secure: OPEN
Status: NATIVE
Subject: NATO MAJOR EQUIPMENT EXPENDITURES SUMMARY: THIS MESSAGE PROVIDES OUR COMPUTATION AND ASSESS- MENT OF ALLIANCE MAJOR EQUIPMENT EXPENDITURES. FO
TAGS: MPOL, NATO
To: STATE DOD
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/e0f407d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014